



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 11/10/2008

GAIN Report Number: CH8096

China, Peoples Republic of

Grain and Feed

Monthly Update

2008

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Report Highlights:

Corn production in MY08/09 is forecast at 154 MMT, up 1.7 MMT from the National Statistical Bureau's revised estimate of 152.3 MMT for MY07/08. Production gains due to favorable weather in the northeast more than offset reduced production in the North China Plain. In October 2008, the Government of China (GOC) announced a series of policies to support the agricultural sector including raising floor prices for corn, rice, and wheat in MY08/09. Grains farmers expect higher market prices than last year, though major surges in prices of agricultural inputs, labor, and land will likely strip away most of the sector's gains.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Beijing [CH1]
[CH]

Corn production MY08/09 is estimated one percent up from 2007

Corn production in MY08/09 is forecast at 154 MMT, or 1.7 MMT higher than the National Statistical Bureau's revised estimate of 152.3 MMT for MY07/08. In northeastern China, crop surveys organized by the U.S. Grains Council indicate corn production rose 7 percent from the previous year as a result of favorable weather patterns during the growth seasons in northeastern provinces including Heilongjiang, Jilin, Liaoning, and Inner Mongolia.

The average yield for MY08/09 in northeastern China is estimated at 5.8 metric ton/ha, 9 percent higher than 2007. Most of the farmers interviewed during the crop tour attributed this near-record-yield to sufficient rainfall in the summer months and favorable climate conditions during the crop's pollination stages. A recent crop survey conducted by AgBeijing and the U.S. Grains Council also revealed that some of the planted area in Jilin province was impacted by excessive rainfall and wind damage in the June-August period.

Some of the surveyed plots showed heavy plant pest infestation (corn borer and root worm) due to insufficient pesticide use. The estimated yield reduction in infested plots is 10 percent (for more information of China's agricultural inputs please refer to GAIN CH8093). Farmers reported that it is impractical and expensive to manually spray the crop in summer in a plot with a density of 45,000 plants/Ha. (Planting biotech corn varieties might be a solution to mitigating this heavy loss due to insect infestation). The corn acreage in northeastern region is estimated to drop by two percent from the previous year as a result of competition from soybean acreage expansion.

In the north China Plain, corn production in MY08/09 is forecast to drop three percent from the previous year because of below average yield partially due to pest infestation in Shandong and Anhui provinces. Trade sources report this infestation may also adversely impact rice yields in the region. Corn acreage in the north China Plain is estimated to be unchanged from the previous year. Corn is traditionally planted as a double crop after winter wheat is harvested in summer.

Note: National Statistical Bureau (NSB) published its revised data for corn in 2006 and 2007, which is substantially higher than the historical data in the years prior to 2006. Most of the increased production figures that were revised are believed to come from uncounted and unreported land (also known as "black land") that was not registered in official statistical records.

Estimate Based on the U.S. Grains Council's Crop Tour in September 2008 and Historical NSB Data							
Production (MMT)	NSB Historical			NSB Revised		Post Estimate	Growth Rate
	2004	2005	2006	2006	2007	2008	2008
Province							
Heilongjiang	9.395	10.429	12.229	15.17	14.4	14.7	2%
Jilin	18.1	18.007	19.839	20.37	18	20.0	11%
Liaoning	10.797	11.355	11.387	12.12	11.72	12.8	9%
Inner Mongolia	9.48	10.662	10.917	11.3	11.6	12.2	5%
Northeast	47.772	50.453	54.372	58.96	55.72	59.7	7%
Hebei	11.576	11.938	12.804	13.49	14.2	14.3	1%
Henan	10.5	12.98	14.45	15.42	15.8	15.6	-1%
Shandong	14.992	17.354	17.612	17.49	18.2	16.5	-9%
Anhui	3.208	2.649	0	2.68	2.5	2.5	0%
Jiangsu	2.166	1.748	0	1.97	1.97	2.0	0%
North China Plain	42.442	46.669	44.866	51.05	52.67	51.0	-3%
NE&NCP	90.214	97.122	99.238	110.01	108.39	110.6	2%
Other	40.073	42.243	46.243	41.59	43.91	43.4	-1%
National	130.287	139.365	145.481	151.6	152.3	154.0	1%
Note: NSB revised and released its data for 2006 and 2007, the historical data for years prior to 2006 are not available.							

Government announced floor price encouraging grain production in 2009

In October 2008, Government of China (GOC) announced the following measures to promote grain production and agriculture development:

--Purchase major agricultural commodities for the state reserve at the following prices: rice at \$268/metric ton, corn at \$219/metric ton and soybeans at \$540/metric ton in Northeast Provinces; the GOC will continue to provide transport subsidy to rice in northeast to be shipped to the southern provinces ; In the southern rice-producing provinces , the GOC will purchase rice at \$274/metric ton and rapeseed at \$642/metric ton to replenish the state reserve; the GOC will purchase Xinjiang cotton at \$1,839/metric ton and properly arrange transport of cotton out of Xinjiang.

---Raise floor prices for purchasing of 2009 grain. Beginning in 2009, floor prices for white wheat, red wheat and mixed wheat are raised to \$254, \$242 and \$242/MT, respectively, up 13, 15 and 15 percent, respectively. The rice floor price in 2009 will also rise significantly.

---Increase agriculture subsidies including comprehensive agricultural input subsidy, seed subsidy and agricultural machinery subsidy. The coverage of these subsidies will also expand.

---Strengthen fertilizer market supervision

---Promote swine and dairy production

---Increase agricultural investment including irrigation, rural energy, transport, water supply, animal and plant disease prevention, agricultural product safety and quality. The GOC will begin to implement a national plan to increase grain production by 50 MMT; the GOC will accelerate building the soybean producing base in the Northeast, rapeseed-producing base in the Yangtze River region, and the cotton base in Xinjiang Province. Speed up the building of standardized swine and dairy farms.

The MY08/09 floor price for corn is \$14.7/ton (or 7 percent) higher than MY07/08. However, because of surges in agricultural input prices, mainly in fertilizers, labor and land, China's grain farmers expect higher market prices than last year to cover these new costs. Farmers will rely on this expected growth, although many analysts believe the increase in inputs costs may outstrip profitability from some farmers. Post's interview with farmers showed that the land rental and labor cost rose about 40 percent in MY08/09 from the previous year and fertilizer prices rose 80 percent in MY08/09 from the previous year. A survey conducted by the National Development and Reform Commission showed that the net income for grain farmers (wheat, corn and rice) dropped by 6 percent to \$408/ha in 2007 from 2004, while production costs reached \$1,061/ha in 2007, up 22 percent from 2004.

Average Cost and Profit for Grains (Wheat, Rice and Corn) in \$/ha					
	2003	2004	2005	2006	2007
Total Production Cost /ha	832	872	938	981	1,061
Net Profit/ha	75	433	270	342	408
Source: NDRC (\$1.00=RMB6.8)					

